

Dunkerton Community School District

Independent Auditor's Reports
Basic Financial Statements
And Supplementary Information
Schedule of Findings

June 30, 2004

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Dunkerton Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

(Before September 2003 Election)

Chris Simenson	President	2003
Gloria Clough	Vice President	2003
Todd Miller	Board Member	2004
Jerry Sires	Board Member	2005
Scott Segebarth	Board Member	2005

Board of Education

(After September 2003 Election)

Gloria Clough	President	2006
Todd Miller	Vice President	2004
Jerry Sires	Board Member	2005
Scott Segebarth	Board Member	2005
Larry Steinbronn	Board Member	2006

School Officials

Robert Cue	Superintendent	2004
Patricia Printy *	District Secretary	2004
Julie Delagardelle	District Treasurer	2004
Wayne Sauer	Attorney	2004

* Resigned 7-31-04

Independent Auditor's Report

To the Board of Education of
Dunkerton Community School District:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Dunkerton Community School District, Dunkerton, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Dunkerton Community School District at June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 11 to the financial statements, during the year ended June 30, 2004, Dunkerton Community School District adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; Statement No. 41, Budgetary Comparison Schedule – Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, I have also issued my reports dated October 20, 2004 on my consideration of Dunkerton Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 11 and 35 through 36 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Dunkerton Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Keith Oltrogge", is centered within a light blue rectangular box. The signature is written in a cursive, flowing style.

Keith Oltrogge
Certified Public Accountant

October 20, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

Dunkerton Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Because the District is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations.

2004 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$3,421,730 in fiscal 2003 to \$3,376,306 in fiscal 2004, while General Fund expenditures increased from \$3,433,107 in fiscal 2003 to \$3,798,400 in fiscal 2004. The District's General Fund balance decreased from \$685,818 in fiscal year 2003 to \$263,724 in fiscal year 2004, a 38% decrease.
- The decrease in General Fund revenues was attributable to a decrease in state and federal grant revenue in fiscal year 2004. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits. One reason the General Fund balance decreased is because of an increased negotiated salary and benefits settlement and the decrease in General Fund revenue for fiscal 2004. As a result, the District funded a portion of the current year General Fund expenditures from the carryover fund balance.
- The National School Fitness Foundation (NSFF) contracted with the District to reimburse the full cost of fitness equipment. In April 2004, the NSFF filed bankruptcy and has not made payments to the District. The PPEL (Physical Plant and Equipment Levy) paid \$8,907 to cover the cost of the May and June payments.
- A decline in interest rates during the past three fiscal years, combined with less cash available to be invested, resulted in interest earnings in the General Fund alone decreasing from \$6,484 in fiscal 2003 to \$2,940 in fiscal 2004.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Dunkerton Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Dunkerton Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Dunkerton Community School District acts solely as an agent or custodian for the benefit of those outside of County government.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Dunkerton Community School District Annual Financial Report

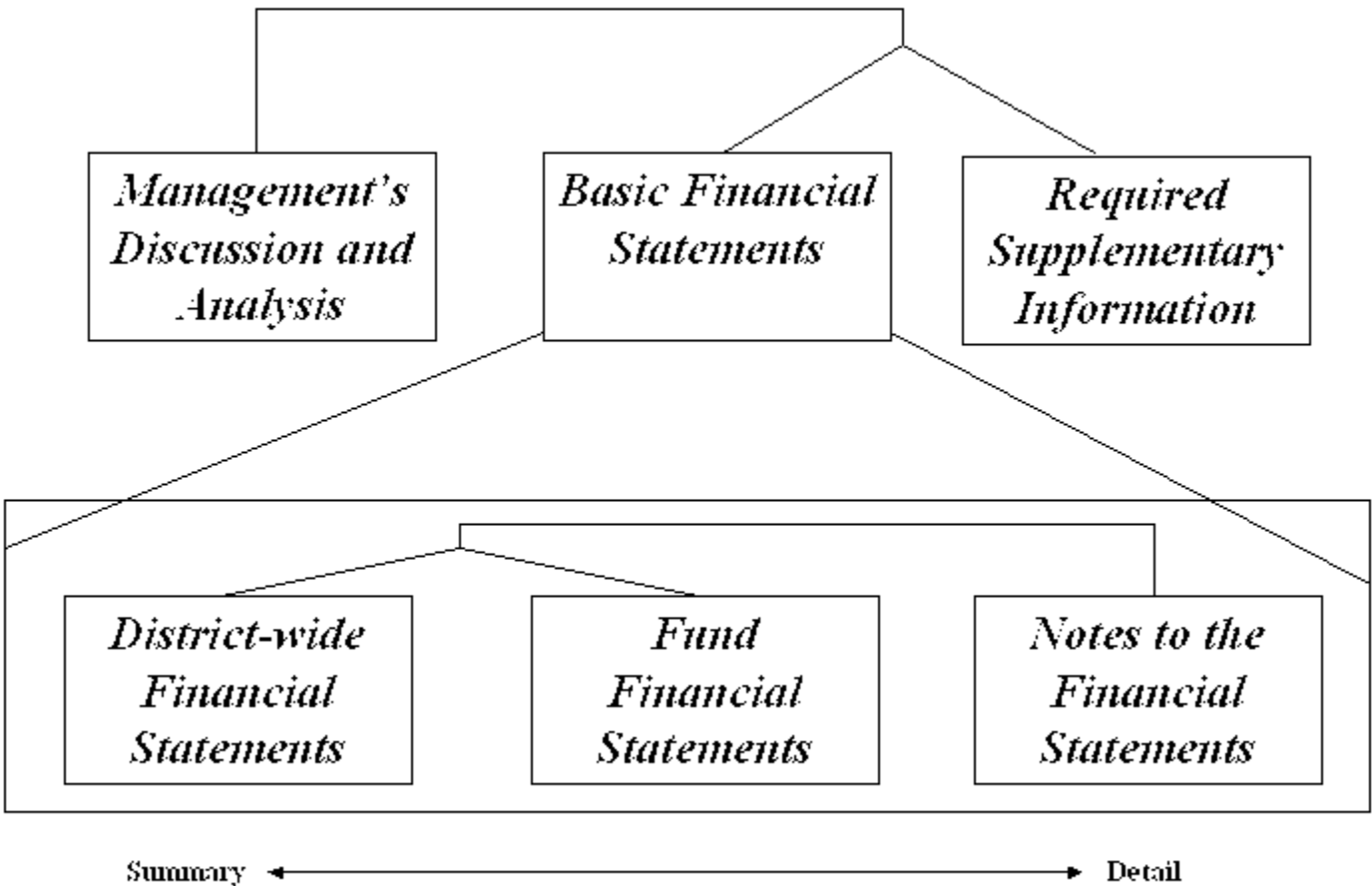


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	Statement of net assets	Balance sheet	Statement of net assets	Statement of fiduciary net assets
	Statement of activities	Statement of revenues, expenditures and changes in fund balances	Statement of revenues, expenses and changes in fund net assets	Statement of changes in fiduciary net assets
			Statement of cash flows	
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long- term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long- term	All assets and liabilities, both short- term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program, building trades class – house fund and Flex Plan are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and Building Trades Class-House Fund.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include a Trust Fund.

- Trust Fund – The District accounts for outside donations for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliation between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2004 compared to June 30, 2003.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2004	2003	2004	2003	2004	2003	2003-2004
Current and other assets	\$2,425,203	\$2,834,553	\$95,955	\$90,004	\$2,521,158	\$2,924,557	-13.8%
Capital assets	3,716,417	3,845,780	75,826	84,858	3,792,243	3,930,638	-3.5%
Total assets	\$6,141,620	\$6,680,333	\$171,781	\$174,862	\$6,313,401	\$6,855,195	-7.9%
Long-term liabilities	\$1,902,281	\$2,240,725	\$-	\$-	\$1,902,281	\$2,240,725	-15.1%
Other liabilities	1,837,024	1,878,822	39,017	48,366	1,876,041	1,927,188	-2.7%
Total liabilities	\$3,739,305	\$4,119,547	\$39,017	\$48,366	\$3,778,322	\$4,167,913	-9.37%
Net assets:							
Invested in capital assets, net of related debt	\$3,716,417	\$3,845,780	\$75,826	\$84,858	\$3,792,243	\$3,930,638	-3.5%
Restricted	294,492	285,423	-	-	294,492	285,423	3.2%
Unrestricted	-1,608,594	-1,570,417	56,938	41,638	-1,551,656	-1,528,779	-1.5%
Total net assets	\$2,402,315	\$2,560,786	\$132,764	\$126,496	\$2,535,079	\$2,687,282	-5.7%

The District's combined net assets decreased by nearly 5.7%, or \$152,203, over the prior year. The largest portion of the District's net assets is the "invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt". The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased by \$9,069, or 3.2% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased by \$22,877, or 1.5%. This reduction in unrestricted net assets was a result of the District using carryover fund balance to meet its financial obligations during the year.

Figure A-4 shows the change in net assets for the year ended June 30, 2004.

Figure A-4
Changes in Net Assets

	Governmental Activities	Business Type Activities	Total District
Revenues:			
Program revenues:			
Charges for service	\$372,444	\$309,675	\$682,119
Operating grants, contributions and restricted interest	395,637	71,786	467,423
Capital grants, contributions and restricted interest	-	-	-
General revenues:			
Property tax	1,365,621	-	1,365,621
Local options sales and service tax	419,649	-	419,649
Unrestricted state grants	1,563,891	-	1,563,891
Unrestricted investment earnings	7,894	246	8,140
Other	35,821	-	35,821
Total revenues	\$4,160,957	\$381,707	\$4,542,664
Program expenses:			
Governmental activities:			
Instruction	\$2,809,451	\$185,659	\$2,995,110
Support services	1,243,052	-	1,243,052
Non-instructional programs	-	189,780	189,780
Other expenses	266,925	-	266,925
Total expenses	\$4,319,428	\$375,439	\$4,694,867
Change in net assets	-\$158,471	\$6,268	-\$152,203

Property tax and unrestricted state grants account for 64% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 90% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$4,160,957 and expenses were \$4,319,428. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5
**Total and Net Cost of
Governmental Activities**

	Total Cost of Services	Net Cost of Services
Instruction	\$2,809,451	\$2,238,289
Support services	1,243,052	1,186,790
Non-instructional programs	-	-
Other expenses	266,925	126,268
Totals	\$4,319,428	\$3,551,347

- The cost financed by users of the District's programs was \$372,444.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$395,637.
- The net cost of governmental activities was financed with \$1,365,621 in property and other taxes and \$1,563,891 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$381,707 and expenses were \$375,439. The District's business type activities include the School Nutrition, Building Trades Class-House and Flex Plan Funds. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Dunkerton Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$2,402,315, below last year's ending fund balances of \$2,560,786.

Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the result of many factors. Decline during the year in tax and grants resulted in a decrease in revenues. The decrease in revenues and the increase in General Fund expenditures required the District to use carryover fund balance to meet its financial obligations during the year.
- The General Fund balance decreased from \$685,818 to \$263,724, due in part to the negotiated salary and benefits settlement, the prior year reduction in state aid and existing expenditures commitments of the District.

BUDGETARY HIGHLIGHTS

The District's receipts were \$32,408 more than budgeted receipts, a variance of 1%. The most significant variance resulted from the District receiving less in state aid than originally anticipated.

The District's total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the instruction and support services functional areas due to the timing of disbursements paid at year-end without sufficient time to amend the certified budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004, the District had invested \$3,792,243, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 3.5% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$165,304.

The original cost of the District's capital assets was \$8,637,143. Governmental funds account for \$8,518,739, with the remainder of \$118,404 accounted for in the Proprietary, School Nutrition Fund and Building Trades Class-House Fund.

Figure A-6
Capital Assets, net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2004	2003	2004	2003	2004	2003	2003-2004
Land	\$10,000	\$10,000	\$-	\$-	\$10,000	\$10,000	0.0%
Buildings	3,554,631	3,644,570	-	-	3,554,631	3,644,570	-2.5%
Improvements other than buildings	12,824	13,525	-	-	12,824	13,525	-5.2%
Furniture and equipment	138,962	177,685	75,826	84,858	214,788	262,543	-18.2%
Totals	\$3,716,417	\$3,845,780	\$75,826	\$84,858	\$3,792,243	\$3,930,638	-3.5%

Long-Term Debt

At June 30, 2004, the District had \$1,902,281 in general obligation and other long-term debt outstanding. This represents a decrease of 15.1% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

Figure A-7
Outstanding Long-term Obligations

	Total District		Total Change
	June 30,		June 30,
	2004	2003	2003-2004
General obligation bonds	\$1,875,000	\$2,160,000	-13.2%
Capital lease	27,281	80,725	-66.2%
Totals	\$1,902,281	\$2,240,725	-15.1%

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Julie Delagardelle, District Secretary/Treasurer, Dunkerton Community School District, 509 S. Canfield, Dunkerton IA 50626.

Basic Financial Statements

Dunkerton Community School District

Statement of Net Assets

June 30, 2004

	Govern- mental Activities	Business Type Activities	Total
Assets			
Cash and Cash Equivalents:			
Other	\$ 977,175	\$ 70,135	\$ 1,047,310
Receivables:			
Property tax:			
Delinquent	21,259	-	21,259
Succeeding year	1,193,383	-	1,193,383
Accounts	32,404	3,127	35,531
Due from other funds	149,898	-	149,898
Due from other governments	51,084	12,524	63,608
Inventories	-	10,169	10,169
Capital assets, net of accumulated depreciation	3,716,417	75,826	3,792,243
Total Assets	\$ 6,141,620	\$ 171,781	\$ 6,313,401
Liabilities			
Excess of warrants issued over bank balance	\$ 124,385	\$ -	\$ 124,385
Accounts payable	83,981	4,477	88,458
Salaries and benefits payable	291,989	-	291,989
Due to other funds	116,622	33,276	149,898
Accrued interest payable	26,664	-	26,664
Deferred revenue-succeeding year property tax	1,193,383	-	1,193,383
Deferred revenue-other	-	1,264	1,264
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	300,000	-	300,000
Capital lease	27,281	-	27,281
Portion due after one year:			
General obligation bonds payable	1,575,000	-	1,575,000
Total Liabilities	\$ 3,739,305	\$ 39,017	\$ 3,778,322
Net Assets			
Invested in capital assets, net of related debt	\$ 3,716,417	\$ 75,826	\$ 3,792,243
Restricted for:			
Debt service	292,652	-	292,652
Other special revenue purposes	1,840	-	1,840
Unrestricted	-1,608,594	56,938	-1,551,656
Total Net Assets	\$ 2,402,315	\$ 132,764	\$ 2,535,079

See notes to financial statements.

Dunkerton Community School District

Statement of Activities

Year Ended June 30, 2004

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<u>Functions/Programs</u>				
Governmental Activities:				
Instruction:				
Regular instruction	\$ 1,991,794	\$ 132,907	\$ 199,524	\$ -
Special instruction	430,792	35	41,015	-
Other instruction	386,865	194,546	3,135	-
	<u>\$ 2,809,451</u>	<u>\$ 327,488</u>	<u>\$ 243,674</u>	<u>\$ -</u>
Support Services:				
Student services	\$ 115,367	\$ -	\$ -	\$ -
Instructional staff services	74,093	-	-	-
Administration services	530,674	-	1,000	-
Operation and maintenance of plant services	341,258	44,956	-	-
Transportation services	167,253	-	10,306	-
Community services	14,407	-	-	-
	<u>\$ 1,243,052</u>	<u>\$ 44,956</u>	<u>\$ 11,306</u>	<u>\$ -</u>
Other Expenditures:				
Facilities acquisition	\$ 8,750	\$ -	\$ -	\$ -
Long-term debt interest	117,518	-	-	-
AEA flow-through	140,657	-	140,657	-
	<u>\$ 266,925</u>	<u>\$ -</u>	<u>\$ 140,657</u>	<u>\$ -</u>
 Total Governmental Activities	 <u>\$ 4,319,428</u>	 <u>\$ 372,444</u>	 <u>\$ 395,637</u>	 <u>\$ -</u>
Business Type Activities:				
Non-Instructional Programs:				
Food service operations	\$ 189,780	\$ 119,262	\$ 71,786	\$ -
Instructional Programs:				
Regular Instruction:				
Flex Plan	33,831	37,394	-	-
Other Instruction:				
Building Trades Class-House	151,828	153,019	-	-
	<u>\$ 375,439</u>	<u>\$ 309,675</u>	<u>\$ 71,786</u>	<u>\$ -</u>
 Total	 <u>\$ 4,694,867</u>	 <u>\$ 682,119</u>	 <u>\$ 467,423</u>	 <u>\$ -</u>

Net (Expense) Revenue
And Changes in Net Assets

Governmental Activities		Business Type Activities		Total
\$	-1,659,363	\$	-	\$ -1,659,363
	-389,742		-	-389,742
	-189,184		-	-189,184
\$	-2,238,289	\$	-	\$ -2,238,289
\$	-115,367	\$	-	\$ -115,367
	-74,093		-	-74,093
	-529,674		-	-529,674
	-296,302		-	-296,302
	-156,947		-	-156,947
	-14,407		-	-14,407
\$	-1,186,790	\$	-	\$ -1,186,790
\$	-8,750	\$	-	\$ -8,750
	-117,518		-	-117,518
	-		-	-
\$	-126,268	\$	-	\$ -126,268
\$	-3,551,347	\$	-	\$ -3,551,347
\$	-	\$	1,268	\$ 1,268
	-		3,563	3,563
	-		1,191	1,191
\$	-	\$	6,022	\$ 6,022
\$	-3,551,347	\$	6,022	\$ -3,545,325

Dunkerton Community School District

Statement of Activities

Year Ended June 30, 2004

	Program Revenues		
	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Expenses			
General Revenues:			
Property Tax Levied For:			
General purposes			
Capital outlay			
Local option sales and services tax			
Unrestricted state grants			
Unrestricted investment earnings			
Other			
Total General Revenues			
Change in net assets			
Net assets beginning of year, as restated			
Net Assets End of Year			

See notes to financial statements.

Net (Expense) Revenue
And Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$ 1,262,371	\$ -	\$ 1,262,371
103,250		103,250
419,649	-	419,649
1,563,891	-	1,563,891
7,894	246	8,140
35,821	-	35,821
<hr/>		
\$ 3,392,876	\$ 246	\$ 3,393,122
<hr/>		
\$ -158,471	\$ 6,268	\$ -152,203
2,560,786	126,496	2,687,282
<hr/>		
\$ 2,402,315	\$ 132,764	\$ 2,535,079
<hr/>		

Dunkerton Community School District

**Balance Sheet
Governmental Funds**

June 30, 2004

	General	Debt Service	Capital Projects
Assets			
Cash and Pooled Investments:			
Other	\$ 442,519	\$ 292,652	\$ -
Receivables:			
Property Tax:			
Delinquent	18,473	-	-
Succeeding year	1,036,352	-	-
Accounts	-	-	31,387
Due from other funds	122,204	-	27,694
Due from other governments	51,084	-	-
Total Assets	\$ 1,670,632	\$ 292,652	\$ 59,081
Liabilities and Fund Balances			
Liabilities:			
Excess of warrants issued over bank balance	\$ -	\$ -	\$ 124,385
Accounts payable	78,567	-	-
Salaries and benefits payable	291,989	-	-
Due to other funds	-	-	2,613
Deferred Revenue:			
Succeeding year property tax	1,036,352	-	-
Total Liabilities	\$ 1,406,908	\$ -	\$ 126,998
Fund Balances:			
Reserved	\$ 1,840	\$ -	\$ -
Reserved for debt service	-	292,652	-
Unreserved	261,884	-	-67,917
Total Fund Balances	\$ 263,724	\$ 292,652	\$ -67,917
Total Liabilities and Fund Balances	\$ 1,670,632	\$ 292,652	\$ 59,081

See notes to financial statements.

Physical Plant and Equipment Levy	Non-Major Special Revenue	Total
\$ 184,088	\$ 57,916	\$ 977,175
1,784	1,002	21,259
97,031	60,000	1,193,383
-	1,017	32,404
-	-	149,898
-	-	51,084
\$ 282,903	\$ 119,935	\$ 2,425,203
\$ -	\$ -	\$ 124,385
-	5,414	83,981
-	-	291,989
94,181	19,828	116,622
97,031	60,000	1,193,383
\$ 191,212	\$ 85,242	\$ 1,810,360
\$ -	\$ -	\$ 1,840
-	-	292,652
91,691	34,693	320,351
\$ 91,691	\$ 34,693	\$ 614,843
\$ 282,903	\$ 119,935	\$ 2,425,203

Dunkerton Community School District

Reconciliation of the Balance Sheet – Governmental Funds
To the Statement of Net Assets

June 30, 2004

Total fund balances of governmental funds (page 15)	\$ 614,843
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds	3,716,417
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds	-26,664
Long-term liabilities, including bonds payable and capital leases, are not due and payable in the current period and, therefore, are not reported in the funds	<u>-1,902,281</u>
Net assets of governmental activities (page 12)	<u>\$ 2,402,315</u>

Dunkerton Community School District

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds**

Year Ended June 30, 2004

	General	Debt Service	Capital Projects
Revenues:			
Local Sources:			
Local tax	\$ 1,202,334	\$ -	\$ -
Tuition	120,787	-	-
Other	93,657	2,336	420,385
Intermediate sources	-	-	-
State sources	1,860,819	-	-
Federal sources	98,709	-	-
Total Revenues	\$ 3,376,306	\$ 2,336	\$ 420,385
Expenditures:			
Current:			
Instruction:			
Regular instruction	\$ 1,890,801	\$ -	\$ -
Special instruction	430,792	-	-
Other instruction	183,257	-	-
	\$ 2,504,850	\$ -	\$ -
Support Services:			
Student services	\$ 115,367	\$ -	\$ -
Instructional staff services	74,093	-	-
Administration services	477,440	-	-
Operation and maintenance of plant services	337,653	-	-
Transportation services	133,933	-	-
Community services	14,407	-	-
	\$ 1,152,893	\$ -	\$ -
Other Expenditures:			
Facilities acquisition	\$ -	\$ -	\$ 8,750
Long-Term Debt:			
Principal	-	285,000	-
Interest and fiscal charges	-	122,310	-
AEA flow-through	140,657	-	-
	\$ 140,657	\$ 407,310	\$ 8,750
Total Expenditures	\$ 3,798,400	\$ 407,310	\$ 8,750
Excess (deficiency) of revenues over (under) expenditures	\$ -422,094	\$ -404,974	\$ 411,635
Other Financing Sources (Uses):			
Operating transfers in	\$ -	\$ 441,966	\$ -
Operating transfers out	-	-	-417,454
Total Other Financing Sources (Uses)	\$ -	\$ 441,966	\$ -417,454
Net change in fund balances	\$ -422,094	\$ 36,992	\$ -5,819
Fund balances beginning of year, as restated (Note 11)	685,818	255,660	-62,098
Fund Balances End of Year	\$ 263,724	\$ 292,652	\$ -67,917

See notes to financial statements.

Physical Plant and Equipment Levy	Non-Major Special Revenue	Total
\$ 103,250	\$ 60,037	\$ 1,365,621
-	-	120,787
2,639	196,004	715,021
-	-	-
-	-	1,860,819
-	-	98,709
\$ 105,889	\$ 256,041	\$ 4,160,957
\$ -	\$ 19,828	\$ 1,910,629
-	-	430,792
-	197,363	380,620
\$ -	\$ 217,191	\$ 2,722,041
\$ -	\$ -	\$ 115,367
-	-	74,093
-	48,206	525,646
-	-	337,653
-	-	133,933
-	-	14,407
\$ -	\$ 48,206	\$ 1,201,099
\$ -	\$ -	\$ 8,750
53,444	-	338,444
-	-	122,310
-	-	140,657
\$ 53,444	\$ -	\$ 610,161
\$ 53,444	\$ 265,397	\$ 4,533,301
\$ 52,445	\$ -9,356	\$ -372,344
\$ -	\$ -	\$ 441,966
-24,512	-	-441,966
\$ -24,512	\$ -	\$ -
\$ 27,933	\$ 9,356	\$ -372,344
63,758	44,049	987,187
\$ 91,691	\$ 34,693	\$ 614,843

Dunkerton Community School District

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances – Governmental Funds
To the Statement of Activities

Year Ended June 30, 2004

Net change in fund balances – total governmental funds (page 17) \$ -372,344

*Amounts reported for governmental activities in the Statement of Activities are
different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, these costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 26,384	
Depreciation expense	<u>-155,747</u>	-129,363

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Repaid		338,444
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

	<u>4,792</u>
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Change in Net Assets of Governmental Activities (page 14)	\$ <u>-158,471</u>
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Dunkerton Community School District

Statement of Net Assets
Proprietary Funds

June 30, 2004

	School Nutrition	Building Trades Class- House	Flex Plan	Total
Assets				
Cash and cash equivalents	\$ 14,242	\$ 37,065	\$ 18,828	\$ 70,135
Accounts receivable	513	-	2,614	3,127
Due from other governments	12,524	-	-	12,524
Inventories	10,169	-	-	10,169
Capital assets, net of accumulated depreciation	75,826	-	-	75,826
Total Assets	\$ 113,274	\$ 37,065	\$ 21,442	\$ 171,781
Liabilities				
Inter-fund payable	\$ 33,276	\$ -	\$ -	\$ 33,276
Accounts payable	-	462	4,015	4,477
Deferred revenue-other	1,264	-	-	1,264
Total Liabilities	\$ 34,540	462	\$ 4,015	\$ 39,017
Net Assets				
Invested in capital assets, net of related debt	\$ 75,826	\$ -	\$ -	\$ 75,826
Unrestricted	2,908	36,603	17,427	56,938
Total Net Assets	\$ 78,734	\$ 36,603	\$ 17,427	\$ 132,764

See notes to financial statements.

Dunkerton Community School District

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds

June 30, 2004

	School Nutrition	Building Trades Class- House	Flex Plan	Total
Operating revenues:				
Local sources:				
Charges for service	\$ 119,262	\$ -	\$ -	\$ 119,262
Sale of house	-	153,019	-	153,019
Payroll deductions	-	-	37,394	37,394
	<u>\$ 119,262</u>	<u>\$ 153,019</u>	<u>\$ 37,394</u>	<u>\$ 309,675</u>
Operating expenses:				
Instruction:				
Regular instruction:				
Benefits	\$ -	\$ -	\$ 33,831	\$ 33,831
Other instruction:				
Purchased services	\$ -	\$ 118,654	\$ -	\$ 118,654
Supplies	-	32,924	-	32,924
Depreciation	-	250	-	250
	<u>\$ -</u>	<u>\$ 151,828</u>	<u>\$ -</u>	<u>\$ 151,828</u>
Non-instructional programs:				
Food service operations:				
Salaries	\$ 64,475	-	\$ -	\$ 64,475
Benefits	8,636	-	-	8,636
Purchased services	6,451	-	-	6,451
Supplies	100,911	-	-	100,911
Depreciation	9,307	-	-	9,307
	<u>\$ 189,780</u>	<u>-</u>	<u>\$ -</u>	<u>\$ 189,780</u>
Total operating expenses	<u>\$ 189,780</u>	<u>\$ 151,828</u>	<u>\$ 33,831</u>	<u>\$ 375,439</u>
Operating income (loss)	<u>\$ -70,518</u>	<u>\$ 1,191</u>	<u>\$ 3,563</u>	<u>\$ -65,764</u>
Non-operating revenues:				
State sources	\$ 7,507	\$ -	\$ -	\$ 7,507
Federal sources	64,279	-	-	64,279
Interest income	236	10	-	246
Total non-operating revenues	<u>\$ 72,022</u>	<u>\$ 10</u>	<u>\$ -</u>	<u>\$ 72,032</u>
Change in net assets	\$ 1,504	\$ 1,201	\$ 3,563	\$ 6,268
Net assets beginning of year	<u>77,230</u>	<u>35,402</u>	<u>13,864</u>	<u>126,496</u>
Net Assets End of Year	<u>\$ 78,734</u>	<u>\$ 36,603</u>	<u>\$ 17,427</u>	<u>\$ 132,764</u>

See notes to financial statements.

Dunkerton Community School District

Statement of Cash Flows
Proprietary Fund

Year Ended June 30, 2004

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 119,564
Cash paid to employees for services	-81,098
Cash paid to suppliers for goods or services	-95,282
Net cash used by operating activities	<u>\$ -56,816</u>
Cash flows from non-capital financing activities:	
State grants received	\$ 7,183
Federal grants received	39,540
Net cash provided by non-capital financing activities	<u>\$ 46,723</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>\$ -525</u>
Cash flows from investing activities:	
Interest on investments	<u>\$ 236</u>
Net decrease in cash and cash equivalents	\$ -10,382
Cash and cash equivalents beginning of year	<u>24,624</u>
Cash and Cash Equivalents End of Year	<u>\$ 14,242</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ -70,518
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	11,732
Depreciation	9,307
Decrease in inventories	148
Decrease in accounts receivable	679
(Decrease) in inter-fund payable	-8,068
(Decrease) in deferred revenue	-96
Net Cash Used by Operating Activities	<u>\$ -56,816</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2004, the District received \$12,540 of federal commodities.

Dunkerton Community School District

**Statement of Cash Flows
Proprietary Fund**

Year Ended June 30, 2004

	Building Trades Class- House
Cash flows from operating activities:	
Cash received from sale	\$ 157,675
Cash paid to suppliers for goods or services	-154,865
Net cash provided by operating activities	<u>\$ 2,810</u>
Cash flows from investing activities:	
Interest on investments	<u>\$ 10</u>
Net increase in cash and cash equivalents	\$ 2,820
Cash and cash equivalents beginning of year	<u>34,245</u>
Cash and Cash Equivalents End of Year	<u><u>\$ 37,065</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 1,191
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	250
Decrease in accounts receivable	4,656
(Decrease) in accounts payable	<u>-3,287</u>
Net Cash Provided by Operating Activities	<u><u>\$ 2,810</u></u>

See notes to financial statements.

Dunkerton Community School District

**Statement of Cash Flows
Proprietary Fund**

Year Ended June 30, 2004

	Flex Plan
Cash flows from operating activities:	
Cash received	\$ 37,158
Cash paid to employees for benefits	-31,728
Net cash provided by operating activities	<u>\$ 5,430</u>
Net increase in cash and cash equivalents	\$ 5,430
Cash and cash equivalents beginning of year	<u>13,398</u>
Cash and Cash Equivalents End of Year	<u><u>\$ 18,828</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 3,563
Adjustments to reconcile operating income to net cash provided by operating activities:	
(Increase) in accounts receivable	-236
Increase in accounts payable	<u>2,103</u>
Net Cash Provided by Operating Activities	<u><u>\$ 5,430</u></u>

See notes to financial statements.

Dunkerton Community School District

**Statement of Fiduciary Net Assets
Fiduciary Funds**

Year Ended June 30, 2004

	<u>Trust Scholarship</u>
Assets	
Cash and pooled investments	<u>\$ 12,188</u>
Liabilities	
Accounts payable	<u>\$ -</u>
Net assets	
Reserved for scholarships	<u><u>\$ 12,188</u></u>

Dunkerton Community School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year Ended June 30, 2004

	Trust Scholarship
Additions:	
Local sources:	
Gifts and contributions	\$ 2,000
Interest income	495
Total additions	<u>\$ 2,495</u>
Deductions:	
Support services:	
Scholarships awarded	<u>\$ 1,000</u>
Change in net assets	\$ 1,495
Net assets beginning of year	<u>10,693</u>
Net Assets End of Year	<u><u>\$ 12,188</u></u>

See notes to financial statements.

Dunkerton Community School District

Notes to Financial Statements

June 30, 2004

(1) Summary of Significant Accounting Policies

Dunkerton Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Dunkerton and Dewar, Iowa and portions of the predominately agricultural territories in Black Hawk and Bremer Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U. S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Dunkerton Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Dunkerton Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and (2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The Physical Plant and Equipment Levy is used to account for revenues used in the acquisition of plant and equipment.

The District reports the following major proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition, Building Trades Class-House and Flex Plan Funds. These funds are used to account for the food service, building trades class and flex plan operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary funds of the District apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2003.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund and Building Trades Class equipment	500
Other furniture and equipment	2,000

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20 – 50 years
Furniture and equipment	5 – 15 years

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year-end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements in the instruction and support services functional areas exceeded the amounts budgeted.

(2) Cash and Pooled Investments

The District's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

(3) Due From and Due to Other Funds

The detail of inter-fund receivables and payables at June 30, 2004 is as follows:

Receivable Fund	Payable Fund	Amount
Capital Projects Fund	Enterprise Fund-Nutrition	\$ 27,694
General Fund	Enterprise Fund-Nutrition	\$ 5,582
General Fund	Special Revenue Fund-Physical Plant & Equipment Levy	\$ 94,181
General Fund	Special Revenue Fund-Management	\$ 19,828
General Fund	Capital Projects Fund	\$ 2,613

The Nutrition Fund owes the Capital Project Fund for equipment purchased in a prior year. The balance will be repaid when funds become available.

The Nutrition Fund owes the General Fund for salaries and benefits. The balance will be repaid by June 30, 2005.

The Physical Plant and Equipment Levy owes the General Fund for reimbursements received from the National School Fitness Foundation lease for the past two years. The balance will be repaid by June 30, 2005.

The Management Fund owes the General Fund for early retirement and benefits. The balance will be repaid by June 30, 2005.

The Capital Projects Fund owes the General Fund for a prior year refund. The balance will be repaid by June 30, 2005.

(4) Inter-fund Transfers

The detail of inter-fund transfers for the year ended June 30, 2004 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 417,454
Debt Service	Physical Plant and Equipment Levy	24,512
		<u>\$ 441,966</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2004 was as follows:

	Balance Beginning Of Year, as Restated (Note 11)	Increases	Decreases	Balance End Of Year
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 10,000	\$ -	\$ -	\$ 10,000
Total capital assets not being depreciated	\$ 10,000	\$ -	\$ -	\$ 10,000
Capital assets being depreciated:				
Buildings	\$ 6,367,641	\$ -	\$ -	\$ 6,367,641
Improvements other than buildings	258,278	-	-	258,278
Furniture and equipment	1,856,436	26,384	-	1,882,820
Total capital assets being depreciated	\$ 8,482,355	\$ 26,384	\$ -	\$ 8,508,739
Less accumulated depreciation for:				
Buildings	\$ 2,723,071	\$ 89,939	\$ -	\$ 2,813,010
Improvements other than buildings	244,753	701	-	245,454
Furniture and equipment	1,678,751	65,107	-	1,743,858
Total accumulated depreciation	\$ 4,646,575	\$ 155,747	\$ -	\$ 4,802,322
Total capital assets being depreciated, net	\$ 3,835,780	\$ -129,363	\$ -	\$ 3,706,417
Governmental Activities Capital Assets, Net	\$ 3,845,780	\$ -129,363	\$ -	\$ 3,716,417
Business type activities:				
Nutrition Fund:				
Furniture and equipment	\$ 115,379	\$ 525	\$ -	\$ 115,904
Less accumulated depreciation	30,771	9,307	-	40,078
	\$ 84,608	\$ -8,782	\$ -	\$ 75,826
Building Trades Class-House				
Equipment	\$ 2,500	\$ -	\$ -	\$ 2,500
Less accumulated depreciation	2,250	250	-	2,500
	\$ 250	\$ -250	\$ -	\$ -
Total Business Type Activities Capital Assets, Net	\$ 84,858	\$ -9,032	\$ -	\$ 75,826

Depreciation expense was charged to the following functions:

Governmental Activities:

Instruction:

Regular	\$	100,214
Special		-
Other		6,245

Support services:

Instructional staff		-
Administration		5,028
Operation and maintenance of plant		3,605
Transportation		40,655

\$ 155,747

Unallocated

-

Total Depreciation Expense – Governmental Activities

\$ 155,747

Business Type Activities:

Food service operations	\$	9,307
Building trades class-house operations	\$	250

(6) Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2004 are summarized as follows:

	Balance Beginning Of Year	Additions	Reductions	Balance End Of Year	Due Within One Year
General obligation bonds	\$ 2,160,000	\$ -	\$ 285,000	\$ 1,875,000	\$ 300,000
Capital lease	80,725	-	53,444	27,281	27,281
Total	\$ 2,240,725	\$ -	\$ 338,444	\$ 1,902,281	\$ 327,281

General Obligation Bonds Payable

Details of the District's June 30, 2004 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2005	5.4-5.5%	\$ 300,000	\$ 101,631	\$ 401,631
2006	5.5-5.6%	315,000	84,321	399,321
2007	5.5-5.6%	335,000	66,798	401,798
2008	5.6-5.7%	355,000	47,840	402,840
2009	5.7-5.75%	375,000	26,934	401,934
2010	5.75%	195,000	5,606	200,606
Total		\$ 1,875,000	\$ 333,130	\$ 2,208,130

The District entered into a lease purchase agreement with Wells Fargo Bank in February 2002 for the purchase of exercise equipment for \$149,758.31. Under a three-year lease, \$4,453.64 monthly payments are due. The District had a school participation agreement with the National School Fitness Foundation (NSFF) which was to reimburse the District for these lease payments. In April 2004, the NSFF filed bankruptcy and has not made payments to the District.

During the year ended June 30, 2004, the District made principal, interest and fees payments totaling \$460,754 under the agreements.

(7) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P. O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2004, 2003 and 2002. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$126,892, \$121,111 and \$118,135, respectively, equal to the required contributions for each year.

(8) Risk Management

Dunkerton Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$140,657 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Deficit Fund Balance

The Capital Projects Fund had a deficit unreserved fund balance of \$67,917 at June 30, 2004.

(11) Accounting Change and Restatements

Governmental Accounting Standards Board Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, was implemented for the year ended June 30, 2004. The interpretation modifies when compensated absence and early retirement liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Non-major funds are presented in total in one column.

The government-wide financial statements separate the District's programs between governmental and business type activities. The beginning net assets for governmental activities has been restated to include capital assets, long-term liabilities and the changes in assets and liabilities at July 1, 2003 caused by the conversion to the accrual basis of accounting.

The effects of the accounting change and other restatements in the governmental activities are summarized as follows:

	Fund					
	General	Debt Service	Capital Projects	Non- major Special Revenue	Physical Plant and Equipment Levy	Total
Net assets June 30, 2003, as previously reported	\$685,818	\$255,660	-\$62,098	\$44,049	\$63,758	\$987,187
GASB Interpretation 6 adjustments	-	-	-	-	-	-
Net Assets July 1, 2003, as Restated for Governmental Funds	<u>\$685,818</u>	<u>\$255,660</u>	<u>-\$62,098</u>	<u>\$44,049</u>	<u>\$63,758</u>	<u>\$987,187</u>
GASB 34 Adjustments:						
Capital assets, net of accumulated depreciation of \$4,646,575						3,845,780
Long-Term Liabilities:						
Bonds					\$2,160,000	
Capital lease					<u>80,725</u>	-2,240,725
Accrued interest payable						<u>-31,456</u>
Net Assets July 1, 2003, as Restated						<u><u>\$2,560,786</u></u>

Required Supplementary Information

Dunkerton Community School District

**Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances –
Budget and Actual – All Governmental Funds and Proprietary Funds**

Required Supplementary Information

Year Ended June 30, 2004

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Local sources	\$ 2,201,429	\$ 309,921
Intermediate sources	-	-
State sources	1,860,819	7,507
Federal sources	98,709	64,279
Total Receipts	<u>\$ 4,160,957</u>	<u>\$ 381,707</u>
Disbursements:		
Instruction	\$ 2,722,041	\$ 185,659
Support services	1,201,099	-
Non-instructional programs	-	189,780
Other expenditures	610,161	-
Total Disbursements	<u>\$ 4,533,301</u>	<u>\$ 375,439</u>
Excess (deficiency) of receipts over (under) disbursements	\$ -372,344	\$ 6,268
Balances beginning of year	<u>987,187</u>	<u>126,496</u>
Balances End of Year	<u>\$ 614,843</u>	<u>\$ 132,764</u>

See accompanying independent auditor's report.

	Total Actual		Budgeted Amounts Original		Variance
\$	2,511,350	\$	2,365,748	\$	145,602
	-		-		-
	1,868,326		2,019,508		-151,182
	162,988		125,000		37,988
\$	4,542,664	\$	4,510,256	\$	32,408
\$	2,907,700	\$	2,757,000	\$	-150,700
	1,201,099		1,162,000		-39,099
	189,780		227,000		37,220
	610,161		835,794		225,633
\$	4,908,740	\$	4,981,794	\$	73,054
\$	-366,076	\$	-471,538	\$	105,462
	1,113,683		957,768		155,915
\$	747,607	\$	486,230	\$	261,377

Dunkerton Community School District

Notes to Required Supplementary Information – Budgetary Reporting

Year Ended June 30, 2004

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the accrual basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2004, disbursements in the instruction and support services functions exceeded the amounts budgeted.

Other Supplementary Information

Dunkerton Community School District

Combining Balance Sheet
Non-Major Special Revenue Funds

June 30, 2004

	Management Levy	Student Activity	Total
Assets			
Cash and pooled investments	\$ 42,050	\$ 15,866	\$ 57,916
Receivables:			
Property Tax:			
Delinquent	1,002	-	1,002
Succeeding year	60,000	-	60,000
Accounts	-	1,017	1,017
Total Assets	\$ 103,052	\$ 16,883	\$ 119,935
Liabilities & Fund Equity			
Liabilities:			
Accounts payable	\$ -	\$ 5,414	\$ 5,414
Inter-fund payable	19,828	-	19,828
Deferred revenue:			
Succeeding year property tax	60,000	-	60,000
Total Liabilities	\$ 79,828	\$ 5,414	\$ 85,242
Fund Equity:			
Unreserved fund balances	23,224	11,469	34,693
Total Liabilities and Fund Equity	\$ 103,052	\$ 16,883	\$ 119,935

Dunkerton Community School District
Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Non-Major Special Revenue Funds

Year Ended June 30, 2004

	Management Levy	Student Activity	Total
Revenues:			
Local Sources:			
Local tax	\$ 60,037	\$ -	\$ 60,037
Other	1,458	194,546	196,004
Total Revenues	<u>\$ 61,495</u>	<u>\$ 194,546</u>	<u>\$ 256,041</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	\$ 19,828	\$ -	\$ 19,828
Other instruction	-	197,363	197,363
Support Services:			
Administration services	48,206	-	48,206
Total Expenditures	<u>\$ 68,034</u>	<u>\$ 197,363</u>	<u>\$ 265,397</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -6,539	\$ -2,817	\$ -9,356
Fund balances beginning of year, as restated	29,763	14,286	44,049
Fund Balances End of Year	<u>\$ 23,224</u>	<u>\$ 11,469</u>	<u>\$ 34,693</u>

See accompanying independent auditor's report.

Dunkerton Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2004

Account	Balance Beginning Of Year	Revenues and Inter-fund Transfers	Expenditures	Intra- Fund Transfers	Balance End of Year
General Student Projects	\$ -659	\$ 2,531	\$ 2,097	\$ 522	\$ 297
Speech	-449	1,500	1,568	449	-68
Spanish Club	5,907	1,336	649	-	6,594
Materials for Resale-Supplies	475	315	-	-	790
Materials for Resale-Industrial Arts	-322	217	254	-	-359
Athletics	1,656	33,193	37,366	-	-2,517
Student Senate	996	7,108	5,829	-	2,275
Band-General	691	2,580	2,599	-	672
Band-Resale	-2,583	1,028	604	-	-2,159
Music	-1,378	4,839	4,694	-	-1,233
After Prom Party	812	68	407	-	473
Pop Fund	3,745	13,586	15,586	-	1,745
Ewalu	-124	1,147	1,575	176	-376
Summer Recreation	11,042	4,033	3,222	-	11,853
Cook Book Project	12	-	-	-12	-
Miscellaneous	-179	-	608	59	-728
Class of 2002	-496	496	-	-	-
Class of 2003	-114	-	-	-	-114
Class of 2004	-250	1,627	715	-	662
Class of 2005	1,677	252	1,740	-	189
Class of 2006	1,101	-	-	-	1,101
Class of 2007	-	4,250	2,808	-	1,442
FFA	4,719	-	-	-	4,719
SES	-	756	756	-	-
Library	-3,491	2,949	2,996	-	-3,538
Annual	-8,425	6,290	8,111	-	-10,246
Dramatics	1,405	1,965	1,653	-449	1,268
Cheerleaders	-350	5,206	6,427	-	-1,571
PTO	-2,629	144	144	-	-2,629
Honor Society	241	1,102	1,052	-	291
Four Year Trip	8,131	13,262	5,076	-	16,317
Elementary Student Projects	2,354	2,491	2,128	-432	2,285
Secondary Student Projects	-150	3,368	2,394	-	824
Bakeshop	184	479	6	-	657
Scrip	-2,389	830	-	-	-1,559
DARE	-373	-	-	373	-

Dunkerton Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2004

Account	Balance Beginning Of Year	Revenues and Inter-fund Transfers	Expenditures	Intra- Fund Transfers	Balance End of Year
Elementary Basketball Tournament	\$ 164	\$ -	\$ 311	\$ -164	\$ -311
Music Boosters	3,983	4,438	2,297	-	6,124
Interest	804	-	-	-522	282
Volleyball	-492	7,904	8,490	-	-1,078
Cross Country	-254	2,052	2,495	-	-697
Girls' Basketball	-823	11,502	11,291	-	-612
Boys' Basketball	5,085	15,162	14,711	-	5,536
Girls' Track	-1,092	4,689	6,409	-	-2,812
Boys' Track	-999	4,926	6,197	-	-2,270
Golf	-728	1,086	1,763	-	-1,405
Softball	-4,522	7,167	9,037	-	-6,392
Baseball	-6,341	5,740	8,701	-	-9,302
Football	-1,286	10,932	12,597	-	-2,951
Total	\$ 14,286	\$ 194,546	\$ 197,363	\$ -	\$ 11,469

Dunkerton Community School District

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Three Years

	Modified Accrual Basis		
	<u>2004</u>	<u>2003</u>	<u>2002</u>
Revenues:			
Local Sources:			
Local tax	\$ 1,365,621	\$ 1,341,624	\$ 1,143,108
Tuition	120,787	95,431	75,423
Other	715,021	767,984	716,904
Intermediate sources	-	-	-
State sources	1,860,819	1,923,169	1,952,693
Federal sources	98,709	123,425	68,685
Total	<u>\$ 4,160,957</u>	<u>\$ 4,251,633</u>	<u>\$ 3,956,813</u>
Expenditures:			
Instruction:			
Regular instruction	\$ 1,910,629	\$ 1,610,215	\$ 1,633,032
Special instruction	430,792	462,096	404,860
Other instruction	380,620	425,126	403,693
Support services:			
Student services	115,367	107,725	97,000
Instructional staff services	74,093	65,375	68,681
Administration services	525,646	443,489	414,410
Operation and maintenance of plant services	337,653	286,328	258,190
Transportation services	133,933	148,407	84,933
Central support services	14,407	12,009	8,120
Other expenditures:			
Facilities acquisition	8,750	9,000	1,587,826
Long-term debt:			
Principal	338,444	318,443	270,589
Interest and other charges	122,310	140,583	158,294
AEA flow-through	140,657	147,799	149,340
Total	<u>\$ 4,533,301</u>	<u>\$ 4,176,595</u>	<u>\$ 5,538,968</u>

See accompanying independent auditor's report.

**Independent Auditor's Report on Compliance
And on Internal Control over Financial Reporting**

Independent Auditor's Report on Compliance
and on Internal Control over Financial Reporting

To the Board of Education of
Dunkerton Community School District:

I have audited the financial statements of Dunkerton Community School District as of and for the year ended June 30, 2004, and have issued my report thereon dated October 20, 2004. I conducted my audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Dunkerton Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have all been resolved, except for items II-G-04, II-J-04, II-K-04 and II-L-04.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Dunkerton Community School District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I believe I-A-04 is a material weakness. Prior year reportable conditions have been resolved except for item I-A-04.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Dunkerton Community School District and other parties to whom Dunkerton Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Dunkerton Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

A handwritten signature in black ink, appearing to read "Keith Oltrogge", is centered within a light blue rectangular box. The signature is fluid and cursive.

Keith Oltrogge
Certified Public Accountant

October 20, 2004

Dunkerton Community School District

Schedule of Findings

Year Ended June 30, 2004

Part I – Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

I-A-04 Records of Debt Service Fund – The financial activity of the Debt Service Fund is not being recorded in the District's records. The local option tax collections are being deposited into a Debt Service Account Trust Fund, which in turn makes the Debt Service payments. None of this activity is being recorded in the School's general ledger and is recorded only by adjustments at year-end to the CAR and audit report.

Recommendation – For better accountability and financial and budgetary control, the financial activity of the Debt Service Account should be recorded on the District's books on a monthly basis.

Response – The financial activity for the Debt Service Fund will be accounted for in the future.

Conclusion – Response accepted.

Dunkerton Community School District

Schedule of Findings

Year Ended June 30, 2004

Part II - Other Findings Related to Statutory Reporting:

II-A-04 Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2004.

II-B-04 Certified Budget – Disbursements for the year ended June 30, 2004 exceeded the certified budget amounts in the instruction and support services functions.

Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion – Response accepted.

II-C-04 Questionable Expenditures – No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

II-D-04 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-E-04 Business Transactions – No business transactions between the District and District officials or employees were noted.

II-F-04 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

II-G-04 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted. Not all minutes were published as required by Chapter 279.35 of the Code of Iowa.

Recommendation - The Board Secretary should furnish a copy of the Board proceedings to be published within two weeks of each meeting.

Response – Procedures have been revised to ensure the minutes are published as required.

Conclusion – Response accepted.

II-H-04 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

II-I-04 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

II-J-04 Certified Annual Report – The Certified Annual Report was not filed with the Iowa Department of Education timely. I noted no significant deficiencies in the amounts reported.

Recommendation – The District needs to file the Certified Annual Report in the prescribed time limits established by the Department of Education.

Response – We will do this in the future.

Conclusion – Response accepted.

II-K-04 Financial Condition – Activity Account – The Student Activity Account had twenty-three deficit accounts at June 30, 2004.

Recommendation – The District should monitor this account and investigate alternatives to eliminate these deficits in order to return the account to a sound financial condition.

Response – We are working on this.

Conclusion – Response accepted.

II-L-04 Financial Condition – Capital Projects Fund – The District had an undesignated Capital Projects Fund deficit of \$67,917 at June 30, 2004.

Recommendation – The District should continue to monitor this situation and investigate alternatives to eliminate this deficit in order to return the District to a sound financial condition.

Response – The Capital Projects Fund deficit should be eliminated through next year's local option tax collections.

Conclusion – Response accepted.